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SUBJECT: ENERGY COUNCIL VISIT PROMOTES COOPERATION ON ENERGY ISSUES

¶1. (U) The U.S. Energy Council came to Monterrey on January 21 to meet private sector contacts and Nuevo Leon state officials to promote information sharing on energy issues ranging from alternative energy, ways to increase energy production and global warming. The Energy Council is a non-partisan group of state legislators from 11 U.S. states and 5 Canadian provinces (covering 80% of U.S. oil production and almost all of Canada's). The Council does not advocate particular solutions, but holds conferences and provides networking opportunities. The Energy Council has been trying to recruit Mexican states as members, focusing on Nuevo Leon and Chihuahua. We last met Energy Council members at the October 2007 Border Energy Forum in Monterrey. .

¶2. (U) The Energy Council made its presentation to the Consulate's regular Business Roundtable (consisting of some of our best private sector contacts), the Monterrey Chapter of the American Chamber of Commerce, and the energy committee of the Nuevo Leon state legislature. The Energy Council presentation was led by its President, Alabama state representative Mike Hill, and the head of its private sector committee, Mississippi state senator Tommy Moffatt. Following the meetings, several local companies expressed interest in joining the private sector arm of the Energy Council. Others pledged to work with the state of Nuevo Leon in pushing for Nuevo Leon membership (once the next gubernatorial administration takes office during the fall).

¶3. (SBU) The most interesting discussion concerned alternative energy. Javier Trevino, Senior Vice President for Public Affairs for the multinational cement giant Cemex, described Cemex's massive wind farm project in Oaxaca. Oaxaca has a great potential for wind energy, and Trevino stated that Cemex and a Spanish company, Acciona Energia, will invest \$550 million to build a wind farm that will produce 250 megawatts of energy, enough to power a city of 500,000 people or provide 25% of Cemex's net energy consumption. Trevino said that the most difficult issues had been negotiating to rent the land from the local community, which required numerous meetings with the community, and resolving the regulatory hurdles surrounding the transmission of the energy. Cemex negotiated a lower rate for electricity transmission with the state monopoly CFE, permitting Cemex to supply electricity Mexican grid with power and to draw power off the grid at its production facilities. Cemex also agreed to build transmission lines to link the wind farm to the nationwide grid. Several other companies present at the event expressed interest in this project. Energy Council President Hill pointed out that the profitability of alternative energy projects depends on energy prices, although in general the Energy Council projects that energy prices will increase in the future. Meanwhile, Chairman of the Nuevo Leon state Energy Council Alejandro Lambreton noted that the 2007 Mexican federal

energy reform also includes targets for Mexican production of alternative energy.

14. (SBU) Comment. As the Mexican national debate on energy issues is all too often simply framed as whether to privatize Pemex, the Energy Council's message of sharing information at the grass-roots level is a welcome addition to the dialogue here. With luck, Mexico's 2007 energy reform will open space for state and private development of energy alternatives such as Cemex's wind farm. And hopefully Cemex's ability to negotiate electricity transmission rates with CFE will encourage other, medium sized private sector companies to seek to do the same for similar projects. End Comment.

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